

**Follow-Up Audit on Recommendation No. 1 from
Audit Report No. 1-523-99-001-P Entitled
“Quality of Results Reported in USAID/Mexico’s
Results Review and Resource Request (R4)
Report Prepared in 1997”**

Audit Report No. 1-523-02-002-P

November 8, 2001

Regional Inspector General / San Salvador



U.S. Agency for
INTERNATIONAL
DEVELOPMENT

RIG/San Salvador

November 8, 2001

MEMORANDUM

FOR: USAID/Mexico Director, Paul E. White

FROM: Regional Inspector General/San Salvador, Timothy E. Cox

SUBJECT: Follow-Up Audit on Recommendation No. 1 from Audit Report No. 1-523-99-001-P Entitled "Quality of Results Reported in USAID/Mexico's Results Review and Resource Request (R4) Report Prepared in 1997" (Report No. 1-523-02-002-P)

This memorandum is our report on the subject audit. In finalizing the report, we considered your comments on the draft report. Your comments on the draft report are included in Appendix II.

The report contains no recommendations for your action.

I appreciate the cooperation and courtesy extended to my staff during the audit.

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Summary of Results

In order to follow up on an audit recommendation for the audit of USAID/Mexico's 1997 Results Review and Resource Request (R4) report, the Regional Inspector General/San Salvador included an audit in its fiscal year 2001 audit plan to determine if the fiscal year 2000 reported results in USAID/Mexico's 2001 R4 report met the data quality standards required in USAID's Automated Directives System. (See page 4.)

The audit found that the results reported for 18 of the 21 performance indicators in USAID/Mexico's 2001 R4 report met the data quality standards required in USAID's Automated Directives System. Results reported for two performance indicators did not meet the data quality standard for validity while one did not meet the data quality standard for reliability. We did not make any recommendations because USAID eliminated the R4 for future periods. (See pages 4 through 6.)

USAID/Mexico agreed with the findings presented in this report. (See page 7.)

Background

In October 1998, as part of a worldwide audit at 18 USAID missions, RIG/San Salvador issued an audit report assessing results reported in USAID/Mexico's 1997 Results Review and Resource Request (R4) report. That audit determined that USAID/Mexico did not report results which were objectively verifiable, supported, accurate, complete, and validated and that improvements were needed in 88 percent (14 of 16) of the results reviewed. Consequently, the audit report recommended that USAID/Mexico:

- ensure that its performance indicators in the R4 prepared in 1999 were objective and clearly defined regarding what specific results are to be measured; and
- ensure that the performance data identified in its R4 prepared in 1999 were supported, accurate, complete, and validated; or fully disclose in the R4 any data limitations and their implications for assessing the measurement and achievement of performance targets for each performance indicator, and a time frame for resolving the problems.

The mission agreed with the audit report findings and recommendation. USAID's Bureau for Management determined that corrective action had been taken on the recommendation and closed it on July 21, 1999.

According to USAID/Mexico financial records, its fiscal year 2001 operating year budget totaled approximately \$21 million at June 30, 2001.

Audit Objective

In order to follow up on the audit recommendation described above, the Regional Inspector General/San Salvador included an audit in its fiscal year 2001 audit plan to answer the following question:

Did the fiscal year 2000 reported results in USAID/Mexico's 2001 Results Review and Resource Request report meet the data quality standards required in USAID's Automated Directives System?

Appendix I describes the audit's scope and methodology.

Audit Findings

Did the fiscal year 2000 reported results in USAID/Mexico's 2001 Results Review and Resource Request report meet the data quality standards required in USAID's Automated Directives System?

The fiscal year 2000 results for 86 percent (18 of 21) of the performance indicators reported in USAID/Mexico's 2001 Results Review and Resource Request (R4) report met the data quality standards required in USAID's Automated Directives System (ADS). The results for 14 percent (3 of 21) of the performance indicators did not meet the data quality standards. Appendix III lists the 21 indicators reviewed and our conclusions for each of the criteria evaluated for the indicator.

USAID/Mexico has taken the following steps to improve the quality of data presented in its R4 report since the last audit:

- USAID/Mexico created a program office and hired a program specialist to coordinate R4 report data and performance indicator quality issues for all the strategic objective (SO) teams at the mission.
- SO team members have received training on performance monitoring.
- SO teams have conducted performance indicator and data quality assessments.
- SO teams have solicited assistance from USAID/Washington and other external experts in preparing their performance monitoring plans.

Two Results Reported Did Not Meet the Validity Standard

For each fiscal year 2000 result reported in the R4 report, we assessed whether the result met five data quality standards. These standards were defined in ADS

203.3.6.5¹, entitled “Data Quality Standards.” These standards were validity, reliability, timeliness, precision, and integrity. The definitions of these terms are included in Appendix I.

According to the ADS, “data are valid to the extent that they clearly, directly, and adequately represent the result that was intended to be measured.” Results reported for two indicators did not meet the validity standard.

The first indicator that did not meet the validity standard was as follows: Percent of annual policy goals achieved – energy efficiency, pollution prevention, and renewable energy.

The results reported for this indicator did not meet the ADS standard for validity because the annual policy goals being measured did not have established criteria to determine if the goal was achieved. According to USAID/Mexico, the scores for this indicator were determined through discussions that resulted in a consensus between USAID/Mexico and its implementing partners. However, without defined criteria to measure achievement, determining the level attained becomes overly subjective. Therefore, the result reported was not a clear measure of the percent of annual policy goals achieved.

According to the SO team leader, he was aware of the limitation on how goal attainment was being measured. It had not been addressed because other performance indicators and other activities had a higher priority.

The second indicator that did not meet the validity standard was as follows: Proportion of tuberculosis laboratories in the priority areas participating in the National Institute of Epidemiological Diagnosis and Reference’s quality assurance program.

This indicator does not measure the planned result, which was to increase the use of laboratory-based diagnosis to identify tuberculosis cases. Instead, this indicator measures the quality of the laboratories doing the diagnosis.

This indicator was reported because the mission felt it was important to show that the quality of the laboratory-based diagnoses was improving. USAID/Mexico believed that this indicator demonstrated a positive effect the program was having even though it did not measure an intended result. Nonetheless, using an indicator in the R4 report that does not measure the intended result could lead to inappropriate conclusions about the effectiveness of the program.

¹ On October 19, 2001, USAID eliminated the Results Review and Resource Request (R4) processes and superseded the policy guidance set forth in ADS 203.3.6.

One Result Reported Did Not Meet the Reliability Standard

Results reported for one indicator did not meet the reliability standard. That indicator was as follows: Percent of municipalities in other states of Mexico that requested information from USAID target municipalities, the International City/County Management Association, or from the participating municipal associations and implemented a local governance project based on that information. In other words, the result for the indicator was calculated as the number of municipalities that implemented a local governance project based on information received from the USAID project divided by the total number of municipalities that requested information.

According to the ADS, reliable data “should reflect stable and consistent data collection processes and analysis methods.” The results reported for this indicator did not meet the ADS standard for reliability because a data collection methodology did not exist to ensure data was collected consistently.

Documentation from USAID/Mexico’s implementing partner indicated that they were undercounting, by reporting only documented inquiries, the number of municipalities that were requesting information. The mission noted this limitation with the data in a data quality assessment conducted by the mission in September 2000 and instructed the implementing partner to correct the situation. However, at the time the results were reported in the R4 report, the SO team was unaware that its follow-up to correct the limitation was ineffective.

Understating the number of municipalities that requested information to calculate the reported percentage has the effect of overstating the result. Based on subsequent estimates, the 7.5 percent reported in the R4 report could have been as low as 1.8 percent.

The three indicators discussed above address specific data quality limitations noted during this audit. In addition, we noted that the process followed for finalizing the R4 report did not include an independent review of the documentation that supported the results published. A review of the supporting documentation by someone not familiar with the project may have enabled USAID/Mexico to detect the data quality limitations noted in this audit before they were published in the R4 report.

After we completed our fieldwork and issued our draft report, USAID eliminated the R4 for future periods and the related ADS guidance. For that reason, we did not make any recommendations to address the findings noted in this audit report. Notwithstanding, USAID/Mexico should consider taking action on the findings to the extent that they remain relevant under any reporting process that may replace the R4 or for internal project monitoring purposes.

**Management
Comments and
Our Evaluation**

Mission officials concurred with the findings and conclusions of our audit. There were no recommendations requiring corrective action. Mission comments are attached in their entirety as Appendix II.

**Scope and
Methodology****Scope**

The Regional Inspector General/San Salvador conducted this audit, in accordance with generally accepted government auditing standards, to determine if the fiscal year 2000 reported results in USAID/Mexico's 2001 Results Review and Resource Request (R4) report met the data quality standards as required in USAID's Automated Directives System (ADS).

We reviewed the management controls used by the mission to monitor data quality of results reported in the R4 report. Major controls included a program office to coordinate performance monitoring training for strategic objective (SO) team members and performance indicator and data quality assessments performed by SO team members.

We reviewed all of the fiscal year 2000 reported results for USAID/Mexico's performance indicators in its R4 report dated April 2001 to determine if the data reported met the data quality standards established in ADS 203.3.6.5 b. and c. Specifically, we determined if the reported results met reasonable standards of validity, reliability, timeliness, precision, and integrity.

We did not review supporting evidence maintained by the entities that collected the data for USAID. Our audit was limited to the support on-hand at the mission to substantiate reported results.

The audit was conducted at USAID/Mexico from August 20, 2001 through August 31, 2001. On October 19, 2001, USAID eliminated the R4 and ADS 203.3.6.

Methodology

For the results reported for each indicator, we determined which of three possible answers applied to each of the data quality standards:

1. Yes, the standard was met, or its limitations were disclosed in either the R4 report or the Performance Monitoring Plan.
2. No, the standard was not met, and the limitations were not disclosed to management.
3. The data standard was not applicable, either because there was no reported result for the indicator in the R4 or because the category did not apply for the type of indicator (i.e., per the ADS, the standard for precision does not apply to qualitative data).

We used the following definitions from the ADS as criteria to guide our review.

- **Validity:** Data are valid to the extent that they clearly, directly, and adequately represent the result that was intended to be measured.
- **Reliability:** Data should reflect stable and consistent data collection processes and analysis methods over time. Managers should be confident that progress toward performance targets reflects real changes rather than variations in data collection methods.
- **Timeliness:** Data should be available with enough frequency and should be sufficiently current to inform management decision-making at the appropriate levels.
- **Precision:** Data should be sufficiently accurate to present a fair picture of performance and enable the SO Team to make confident management decisions.
- **Integrity:** Data that are collected, analyzed, and reported should have established mechanisms in place to reduce the possibility that they are manipulated for political or personal reasons.

For our materiality threshold, we determined, if 90 percent or more of the results reported met all five data quality standards, then the answer to the audit objective would be positive. If between 70 to 90 percent of the results reported met all five data quality standards, the answer would be qualified. If less than 70 percent of the indicators met the data quality standards, then the answer would be negative.

**Management
Comments**

October 30, 2001

MEMORANDUM

FOR: Regional Inspector General/San Salvador, Timothy E. Cox

FROM: USAID/Mexico Acting Mission Director, Janet Paz- Castillo

SUBJECT: Comments on draft Audit Report No. 1-523-02-00X-P Follow-Up Audit on Recommendation No. 1 from Audit Report No. 1-523-99-001-P Entitled "Quality of Results Reported in USAID/Mexico's Results Review and Resource Request (R4) Report prepared in 1997".

This is to inform you that after circulating the subject draft audit report to USAID/Mexico staff, reviewing and discussing it among the Mission members we have agreed that its' content and the recommendations stated in it are fair and accurate. Therefore, we don't have additional comments to include in the mentioned report.

Results Table

**SUMMARY OF THE QUALITY OF DATA REPORTED FOR INDICATORS IN USAID/MEXICO'S
2001 RESULTS REVIEW AND RESOURCE REQUEST (R4) REPORT**

Indicator Description	Result Measured	Validity Standard Met?	Reliability Standard Met?	Timeliness Standard Met?	Precision Standard Met?	Integrity Standard Met?
1. Number and area of critical ecosystems, in target areas, with adequate management	Critical ecosystems and biological resources conserved	Yes	Yes	Yes	N/A	Yes
2. Number of sites meeting pre-determined management goals	Management of target protected areas and other critical ecosystems improved	Yes	Yes	Yes	N/A	Yes
3. Number of men and women in target areas practicing sustainable activities promoted by USAID	Demonstration and implementation of sustainable use activities in biologically important areas	Yes	Yes	Yes	Yes	Yes

Appendix III

Indicator Description	Result Measured	Validity Standard Met?	Reliability Standard Met?	Timeliness Standard Met?	Precision Standard Met?	Integrity Standard Met?
4. Amount of carbon dioxide emissions prevented through selected energy efficiency measures and adoption of renewable energy technologies	Carbon dioxide emissions and pollution reduced	Yes	Yes	Yes	Yes	Yes
5. Percent/ number of enterprises or municipalities continuing to use Resource Management Systems (RMS) and renewable energy technologies without USAID financial support one year after installation	Adoption of RMS and renewable energy technologies and practices in targeted industries and municipalities	Yes	Yes	Yes	Yes	Yes

Appendix III

Indicator Description	Result Measured	Validity Standard Met?	Reliability Standard Met?	Timeliness Standard Met?	Precision Standard Met?	Integrity Standard Met?
6. Percent of annual policy goals achieved in energy efficiency, pollution prevention, and renewable energy	Selected policies in place that promote the use of RMS and renewable energy technologies	No – Criteria to determine whether goals were met was not defined.	Yes	Yes	Could not determine because the validity standard was not met.	Yes
7. Number of Mexican institutions with adequate capacity in RMS and renewable energy technologies	Improved Mexican institutional capacity in RMS and renewable energy technologies	Yes	Yes	Yes	N/A	Yes
8. Rating on the effective local governance component of the Local Governance Milestone Index	More effective local governance in target areas	Yes	Yes	Yes	N/A	Yes

Appendix III

Indicator Description	Result Measured	Validity Standard Met?	Reliability Standard Met?	Timeliness Standard Met?	Precision Standard Met?	Integrity Standard Met?
9. Percent of cases successfully mediated in target mediation centers	Increased access to justice	Yes	Yes	Yes	Yes	Yes
10. Percent of municipalities in other states of Mexico that requested information from USAID target municipalities or other participants and implemented a local governance project based on that information	More democratic processes adopted in key government institutions	Yes	No – A consistent method for collecting data has not been developed.	Yes	Yes	Yes
11. Number of target states with on-going public-private collaborations	Enhanced quality and sustainability of HIV/AIDS/ Sexually Transmitted Infections (STI) services in target states	Yes	Yes	Yes	Yes	Yes

Appendix III

Indicator Description	Result Measured	Validity Standard Met?	Reliability Standard Met?	Timeliness Standard Met?	Precision Standard Met?	Integrity Standard Met?
12. Change in AIDS Policy Environment Score	Improved HIV/AIDS/STI policy environment at the national and sub-national level	Yes	Yes	Yes	N/A	Yes
13. Number of HIV/AIDS non-governmental organizations in target states with improved strategic plans	Increased capacity of governance and non-governmental partners to deliver HIV/AIDS/STI services	Yes	Yes	Yes	Yes	Yes
14. Proportion of tuberculosis cases detected	A sustainable and effective institutional capacity developed to diagnose, control and monitor tuberculosis in target areas	Yes	Yes	Yes	Yes	Yes

Appendix III

Indicator Description	Result Measured	Validity Standard Met?	Reliability Standard Met?	Timeliness Standard Met?	Precision Standard Met?	Integrity Standard Met?
15. Proportion of tuberculosis cases cured	A sustainable and effective institutional capacity developed to diagnose, control and monitor tuberculosis	Yes	Yes	Yes	Yes	Yes
16. Number of inter-institutional meetings convened at the national level with representatives of the National Program and each of the major institutions involved in tuberculosis prevention and control	Improved national and state political and administrative commitment to a tuberculosis control program	Yes	Yes	Yes	Yes	Yes

Appendix III

Indicator Description	Result Measured	Validity Standard Met?	Reliability Standard Met?	Timeliness Standard Met?	Precision Standard Met?	Integrity Standard Met?
17. Proportion of tuberculosis laboratories in the priority states participating in a quality assurance program	Increased use of laboratory-based diagnosis to identify tuberculosis cases	No – Indicator does not measure intended result.	Yes	Yes	Yes	Yes
18. Mexican Working Group formed, to provide strategy policy direction	Mexican objectives for strengthening the institutional foundations for microenterprise defined and action mechanisms developed	Yes	N/A– No data reported in the R4.	N/A– No data reported in the R4.	N/A– No data reported in the R4.	N/A– No data reported in the R4.
19. Sources of new capital for microenterprise financial institutions accessed	Sustainable sources of capital accessed for microenterprise	Yes	N/A– No data reported in the R4.	N/A– No data reported in the R4.	N/A– No data reported in the R4.	N/A– No data reported in the R4.

Appendix III

Indicator Description	Result Measured	Validity Standard Met?	Reliability Standard Met?	Timeliness Standard Met?	Precision Standard Met?	Integrity Standard Met?
20. Micro-enterprise financial institutions with strengthened operating procedures and management controls	Microenterprise financial institution's institutional capacity strengthened, to increase microenterprise access to credit and financial services	Yes	N/A– No data reported in the R4.	N/A– No data reported in the R4.	N/A– No data reported in the R4.	N/A– No data reported in the R4.
21. Key research completed on migration-microenterprise relationship; microenterprise contribution to the Mexican economy; and institutional support for rural microenterprise	Relationship analyzed between microenterprise and the need to migrate	Yes	N/A– No data reported in the R4.	N/A– No data reported in the R4.	N/A– No data reported in the R4.	N/A– No data reported in the R4.